UNDP

UNITED NATIONS DEVELOPMENT PROGRAMME

Distributed on request
DP/PROJECTS/7264

ENGLISH

APPROVAL OF UNDP ASSISTANCE TO A PROJECT OF
PERU

IPF:(1992-96) $ 13 297 000

(PER/91/501) - Management Development Programme

Date of approval by the AC:[1/]	1 April 1992
Expected duration:	18 months
Proposed executing agency:	Government
Government implementing agency:	Office of the Prime Minister
Proposed UNDP contribution:	$ 1 006 400
Total UNDP budget:	$ 1 006 400

Project background

Peru's socio-economic situation has been characterized by crisis during the last ten years: GDP growth averaged -0.04 per cent in the 1980's, real wages in 1990 had only one third the purchasing power they had in 1960, inflation totalled 7,650 percent in 1990, and unemployment/underemployment in 1990 were 7.9 percent and 73.8 percent, respectively. Other evidence of the crisis is reflected in the growth of the illegal cultivation and processing of coca and terrorism.

The previous Peruvian development strategies (import substitution, growth of the state sector in production activities, the formation of monopolies, etc.) resulted in a deep rooted centralization of the decision making apparatus, the presence of market distortions, and the creation of an inefficient interventionist and costly Government. Public revenues comprised six percent of GDP in 1990, whereas public expenditures amounted to 10 percent of GDP.

Since 1990, when the present Government came to power, it has embarked on the process of stabilization and structural reforms targeted to redirect the country's development process. Considering the Reform of the State as a prerequisite for the consolidation of the stabilization and economic recovery programmes, the Government launched a process to establish a more efficient, decentralized and participatory Government. This change will require a redimensioning and internal restructuring of the executive branch a new statute for the civil service the recruitment and retention of high-level experts a redefinition of the relationship between a central Government and regional and local governments and the privatization of State commercial activities.

[1/] **This Fact Sheet reflects the status of the project/revision at the time it was approved by the Action Committee; modifications to the project/revision may have occurred subsequently.**

/...

In August 1991, a Management Development Programme (MDP) mission visited the country with the aim of identifying the specific areas for both UNDP collaboration and promotion/co-ordination of other donor participation in the State Reform Programme. In this context it is significant to note that UNDP in Peru has played a truly unique role by virtue of having been the first international organization to have extended assistance to the new Government soon after its installation. This assistance enabled the Government to formulate and initiate the structural reforms and social development programmes. As a complement to UNDP participation, the Government is negotiating a (US)$ 900 million World Bank Structural Adjustment Loan, a significant proportion of which is specifically to be for Central Government Reform. In addition, the EEC and the Spanish Government are expected to finance reform and strengthening at the local Government level.

Given the political sensitivity of the issues involved and the need for political transparency, UNDP assistance has been requested from UNDP/MDP, primarily as a mechanism allowing for the initiation of the process. Reform of the State constitutes the first area of concentration of the Fifth Country Programme, approved in February of 1992.

Description of project

As per the MDP mission recommendations the immediate objectives of the project are to: (a) establish a normative framework for the organization and functioning of the executive branch; (b) develop a system for recruiting and training high level Government officials for strategic tasks; (c) design local Government management models and their implementation in six pilot municipalities; and (d) support the Government in the preparation of structural adjustment loan proposals related to public sector reform.

Project activities will include: (a) instituting statutes that regulate the organization and functioning of the Ministries and other agencies which form part of the Central Government; (b) establishing statutes that regulate the organization and functioning of the regional and local governments; (c) revising a human resource strategy which is competitive with the private sector; (d) creating a financing mechanism to sustain a competitive salary programme; (e) devising a programme for strengthening local governments; and (f) providing documentation needed to apply for loans for reforming the public sector.

Inputs

UNDP will provide 18 work-months of international expert in public administration, 126 work-months of national and international consultants in fields such as local government, administrative law, civil service and structural adjustment loans; six subcontracts for seminars; office equipment; and mission, reporting and sundry costs especially related to work on local municipalities.

Financial data

	$
Personnel	773 400
Subcontract	110 000
Equipment	53 000
Miscellaneous	70 000
Total	1 006 400

- - - - -